

## Message Text

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PAGE 01 OTTAWA 02119 052221Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 INRE-00 NSCE-00

SSO-00 USIE-00 FEA-01 /097 W  
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 6647

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E.O. 11652: N/A

TAGS: EAGR, ETRD, CA

SUBJECT CHANGE IN GOC IMPORT CONTROL SYSTEM FOR EGGS AND TURKEYS

PASS AGRICULTURE FOR FAS/G.WHITE

REF: OTTAWA 2043 (NOTAL)

1. AT GOC INVITATION, ECON COUNSELOR AND AGATT MET TODAY WITH REGPS OF EXTAFF, FINANCE, IT&C AND AGRICULTURE TO DISCUSS RECENT DEVELOPMENTS AND PENDING ACTIONS INVOLVING SUPPLY MANAGEMENT PROGRAMS FOR EGGS AND TURKEYS.

2. AS REPORTED IN REFTL, AGREEMENT ON A RESTRUCTURED CENTRAL EGG MARKETING AUTHORITY (CEMA) MAY BE FINALIZED IN FEDERAL/PROVINCIAL MEETING ON JUNE 9. L.J. TAYLOR (NEWLY APPOINTED GENERAL DIRECTOR, WESTERN HEMISPHERE BUREAU, ITC, WHO CHAIRS GOC SIDE) SAID THAT, RELATED TO THIS DEVELOPMENT, GOC HAS TAKEN CERTAIN DECISIONS REGARDING

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PAGE 02 OTTAWA 02119 052221Z

CONTROLS AT BORDER AND HE HAD BEEN INSTRUCTED TO INFORM USG

IN SPIRIT OF CONSULTATION. GOC DECISIONS ARE:

A. CURRENT IMPORT QUOTA SYSTEM FOR EGGS AND TURKEYS, WHICH INVOLVES PRICE TRIGGER, WILL BE REPLACED WITH PERMANENT QUOTAS BASED ON HISTORICAL SERIES, WITH QUOTAS SUB-DIVIDED ON MONTHLY BASIS TO TAKE ACCOUNT OF SEASONAL TRADE PATTERNS. GOC CONSIDERS THAT NEW SYSTEM COMBINED WITH NEW SUPPLY MANAGEMENT ARRANGEMENTS WILL MEET REQUIREMENTS OF GATT ARTICLE XI.

B. NEW SYSTEM WILL PROVIDE FOR SUPPLEMENTAL QUOTAS WHEN GOC CONSIDERS THEM TO BE IN CANADA'S INTEREST BUT THESE WILL NOT BE NEGOTIABLE.

C. GOC IS PREPARED TO CONSIDER AND DISCUSS WITH USG EXPORT CONTROLS AT LATER DATE IF PROBLEMS ARISE. NEW QUOTA SYSTEM FOR EGGS WILL NOT BE IMPLEMENTED UNTIL AGREEMENT HAS BEEN REACHED ON INTERNAL SUPPLY MANAGEMENT SYSTEM AND CEMA HAS IN HAND GUARANTEES FROM AT LEAST KEY PROVINCES INSURING ENFORCEMENT OF PENALTIES FOR OVER-QUOTA PRODUCTION OR MARKETING. NEW SYSTEM FOR TURKEYS MAY COME INTO FORCE EARLIER.

3. GOC PROPOSES CONSULTATIONS WITH USG ON FOREGOING DECISIONS NEXT WEEK, PREFERABLY ON WEDNESDAY, JUNE 11, IN OTTAWA OR WASHINGTON. GOC OFFICIALS EXPLAINED THAT THIS WAS FIRST DAY THEY WOULD BE AVAILABLE FOLLOWING JUNE 9 MEETING AND INEVITABLE FOLLOW-UP. THEY BELIEVE THAT THE EARLIER BILATERAL CONSULTATIONS TAKE PLACE THE BETTER. THEY WILL ADVISE CANADIAN EMBASSY WASHINGTON OF TODAY'S DISCUSSION BUT SUGGESTED EMBASSY OTTAWA/IT&C BE THE CHANNEL FOR WORKING OUT ARRANGEMENTS FOR NEXT WEEK'S MEETING.

4. GOC OFFICIALS SAID THEY WERE NOT IN POSITION TO PROVIDE ANY DETAILS ON THE QUOTAS BUT THAT THEY WOULD BE PREPARED TO DISCUSS NEXT WEEK. THEY STATED, HOWEVER, THAT GOC COULD NOT REPT NOT ACCEPT RECENT TWO YEAR TRADE AS BASIS FOR EGG QUOTAS. EMBASSY OFFICIALS BELIEVE GOC PLANS TO USE 5 YEAR AVERAGE IMPORTS AS BASIS FOR EGG QUOTAS, WITH MONTHLY ALLOCATIONS TO REFLECT PEAK HISTORICAL MOVEMENT (MARCH AND NOVEMBER/DECEMBER).

5. REGARDING EXPORT CONTROLS, GOC OFFICIALS EMPHASIZED THAT THESE WERE FOR CONSIDERATION "AT LATER DATE". THEY WOULD NOT LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 02119 052221Z

BE IN A POSITION NEXT WEEK TO DISCUSS LEVELS BUT WOULD BE PREPARED TO LISTEN TO USG PROPOSALS. THEY NOTED THAT CANADIAN LAW REQUIRES AN INTERGOVERNMENTAL AGREEMENT, WHICH COULD TAKE THE FORM OF AN EXCHANGE OF LETTERS, BEFORE EXPORT CONTROLS COULD BE IMPLEMENTED. THEY ALSO SAID THAT THERE WERE LIKELY TO BE TIMES WHEN CEMA WOULD WISH TO EXPORT EGGS TO THE U.S. FOR PROCESSING AND RETURN TO CANADA. THEY SUGGESTED IT WOULD BE WORTH EXPLORING WAYS IN WHICH THESE EGGS

COULD ENTER THE U.S. FREE OF DUTY AND BE RE-EXPORTED IN SUCH  
A WAY THAT THEY WOULD NOT BE CHARGED AGAINST THE U.S. QUOTA.

6. GOC OFFICIALS SAID THAT WHILE OUTCOME OF JUNE 9 MEETING  
MIGHT AFFECT AT LEAST TIMING OF DECISIONS ON NEW QUOTA SYSTEM.  
THEY CONSIDERED IT BEST TO PROCEED ON ASSUMPTION THAT AGREE-  
MENT ON RESTRUCTURED CEMA WOULD BE REACHED. REGARDLESS OF OUT-  
COME OF JUNE 9 MEETING, GOC WOULD WISH TO CONSULT ON NEW  
TURKEY IMPORT QUOTA SYSTEM.  
PORTER

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